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National Currency Reform Association

Manifesto of the National Currency Reform Assoc.

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MANIFESTO

OF THE

National Currency Reform Association.

THE great difficulty of modern statesmanship is to reconcile the RIGHTS OF LABOUR with the RIGHTS OF PROPERTY, and every legislative effort to solve the political and social problem has hitherto proved unsuccessful. The failure seems to have arisen from bestowing undivided attention on matters of detail, while great principles have been neglected. Remedial measures have skimmed over the surface of the troubled waters, but the plummet of reform has not yet sounded their depths. The hours of juvenile toil have been reduced in factories, and females have been withdrawn from the severe and degrading labour of mines and collieries. Prison discipline has been improved, and laudable efforts have been made to extend education. Many monopolies have been abolished, and the doctrine of free trade has been sanctioned. These changes are evidence of legislative and popular disapproval of existing institutions, and of a national desire to correct all demonstrated abuses; but it must be acknowledged that, however excellently intended, they have proved insufficient to meet the exigencies of our age and our position.

A tenth of the population of England and Wales are subsisting by parochial relief, and involving a tax on industry of nearly seven millions annually. Immediately above those who are not the inmates of the workhouse, are millions struggling against the severest privation; and it has been shown that great numbers of women, married and single, and virtuously inclined, are driven to prostitution through hunger. In Ireland two thirds of the population are in a perpetual state of destitution; albeit their ranks are periodically thinned by typhus and famine. The deaths of mechanics and artisans in the manufacturing districts, arising from deficiency of food, clothing, and lodging, vastly exceed those which are averaged on a field of battle. It has been ascertained that the slain at the siege of Antwerp were in the proportion of one to sixty-eight; at the storming of Badajoz, one in fifty-four; at the battle of Waterloo, one in thirty. But the annual expectation of death among our working classes is far more fearful. For the Liverpool operative it is one in nineteen; for the Manchester weaver, one in seventeen; for the Sheffield grinder, one in fourteen. Dr. Southwood Smith, in his Report to the Sanitary Commission, states that "in the filthy and crowded streets in our large towns and cities you see human faces retrograding, sinking down to the level of the brute tribes, and you find manners appropriate to the degradation. Can any wonder that there is among these classes of the people so little intelligence, so slight an approach to humanity, so total an absence of domestic affection, and of moral and religious feeling? The experiment has long been tried on a large scale with a dreadful success, affording the demonstration that if, from early infancy, you allow human beings to live like brutes, you *can* degrade them

down to their level, leaving to them scarcely more intellect, and no feelings or affections proper to human minds and hearts."

If the condition of the humblest section of society is thus impoverished and steeped in wretchedness, that of the tradesman, the manufacturer, and the merchant, is scarcely more enviable; for if their physical privations are less acute, their mental anxiety is far more keen. They are perpetually haunted by the fear of descending in the scale of society; they are compelled to provide for increasing taxes out of diminishing profits; year by year the competitive struggle becomes fiercer; and where by rigid economy small savings may have been accumulated, they are swept away by the recurrence of periodical panics. From 1819 to the present date, all experience has shown that no practical knowledge of business, no foresight, no prudence can provide against the catastrophes of mercantile convulsions. A secret enemy deranges the best concerted plans, and surprises the most watchful vigilance. The interest of money rises, and every description of property, except bullion, is depreciated. The stocks in the warehouses are unsaleable, while the great body of the people, the very class whose labour produced them, are destitute of clothing, furniture, and food. Merchants are driven into the Gazette, traders are incarcerated in gaols. The steam engine is brought to repose; mechanics and artisans are dismissed from employment; production is arrested. The ravages of a conquering army would not have inflicted a more widely spread desolation.

What has caused this frightful ruin? Have our operatives suddenly lost their skill, strength, and energy? Have all our vessels rotted in our harbours? Have our mines been exhausted of their metals and minerals? Has sterility destroyed the fruitfulness of the soil, or some pestilence annihilated all our domestic animals? None of these visitations have befallen the nation. Some thousand ounces of a commodity, called gold, have been exported to the continent of Europe or to America, and hence has arisen the prostration of industry. The gold has not been given away; an ample equivalent has been received for it, so that the nation is none the poorer through its having quitted the cellars of the Bank of England. If the foreigner demanded sixty shillings a quarter for his wheat, and we required a million quarters, he would receive from us seven hundred and fifty thousand ounces of gold; and, as it is a fundamental law of political economy that both parties are equally benefitted by equal exchanges, we must have possessed exactly as much real wealth in the million quarters of wheat as we possessed in the seven hundred and fifty thousand ounces of gold. We are congratulated on the briskness of trade when we effect large exports of coal and iron, calico or hardware; how then does it happen that large exports of gold, for which we receive a full equivalent, are always attended with mercantile convulsion and an enormous loss of property? In answering this question, we shall discover the source of very many of the complicated evils by which we are surrounded.

With the exception of silver, which is a legal tender only to the amount of forty shillings, the legislature has decreed that

all taxes and all private debts shall be discharged in gold; and by putting a monied denomination on gold, its price is necessarily fixed in our coinage. To the foreigner our gold coin is not money, but a commodity; on the continent of Europe and in America, its price varies under the law of supply and demand, and when its purchasing power abroad is increased, it is exported. When this happens, the Bank of England is compelled by Act of Parliament to contract the issue of its notes exactly in proportion as the gold disappears; we are consequently deprived of our legal tender money, and as it becomes scarce, its value rises; but a rise in the value of money is identical with a fall in the price of commodities. Under these circumstances the instrument of exchange is withdrawn; the power of distributing commodities is paralysed; none can sell, because none have the means of purchasing; the real wealth of the country, however, is in no respect diminished, since it is plain when we parted with our gold we must have received an ample equivalent in exchange. The ruin, therefore, can only be traced to the viciousness of our monetary system; there is no other solution of the problem.

It is desirable to support this reasoning by an appeal to authorities, and it will be seen that the most experienced merchants have condemned our monetary policy. In 1821, on the presentation of petitions from all quarters, and particularly from the agricultural districts, praying for relief from Parliament, Mr. Baring (the late Lord Ashburton) made the following remarks:

"When such a state of the country was manifest in the sixth year of peace, and when all the idle stories about over production and under consumption, and such like trash had been swept away, it was natural to inquire into the state of a country, placed in a situation without a parallel in any other nation or time. No country before presented the continuance of so extraordinary a principle as that of living under a progressive *increase of the value of money, and a depression of the productions of the people.* If they had got up to the top of the hill, that would be a good reason for not entering upon further inquiry, but he would not by any means admit that they had arrived at such a situation. It appeared to him that, by the operation of the altered currency, they had loaded themselves not only with an immense public debt but also with an increased debt between individual and individual, (which debt had been greatly varied,) the weight of which continued to press on the country, and to the continuance of which pressure he could not, at present, perceive any end."

When examined before the committee on coin, in 1828, the same eminent individual gave the following opinion:

"The bill of 1819 was a fair-weather system, which the first clouds will endanger. I am convinced that we shall not see two campaigns of any expensive war without another suspension of cash payments."

Writing on the crisis of 1847, Lord Ashburton referred to the Bank Charter Act of 1844, in the following terms:

"Nothing can be more absurdly preposterous than to substitute machinery in such a case for human intelligence. A very short time ago, the interest of money was two and a half to three per

cent. Everybody found it difficult to employ their capital; now nobody can obtain it for the best security under eight, ten, or even twelve per cent. The stagnation of the most legitimate trade is complete; the manufacturer stops his works, the minister is obliged to double the interest of his Exchequer Bills."

The late Sir Robert Peel, in a letter which he addressed to both Houses of Parliament, in 1826, made the following remarks:

"Having been long and extensively engaged in commercial dealings, I often witnessed a national embarrassment arising from a defective and impure currency, which resembled the present stagnation of trade; and I lament to observe that suffering and experience have failed in this instance of producing their usual good effects. In the enlarged scale of business carried on by this country, embracing a great variety of pursuits, a reliance on a metallic circulation *ever did, and ever will fail us.* Gold, though in itself massy, often disappears in consequence of war or speculation, nay, the breath of rumour itself is sufficient to disperse it. Our domestic concerns are interrupted, and confidence lost for want of an ample and approved medium of traffic."

This experienced merchant then proceeds to explain what he deems requisite to establish a sound monetary system.

"To confine future issues of paper money, or tokens, to the Bank of England, *and other competent bodies of men,* who would give security in land, the public funds, canals, buildings, or other tangible property, amounting to at least half the value of their bills or notes in circulation. If such an improvement in the banking system could be made available, gold would become less requisite, and the country would be supplied with a stationary medium of exchange *originating with ourselves.*"

After the bill of 1819 had been in operation during a quarter of a century, during which period it had produced the most destructive panics and convulsions in trade, its author, the present Sir Robert Peel, became convinced of its inefficiency, and in 1844 introduced the Bank Charter Act, which he described as the complement of the bill of 1819; and predicted that his united measures would "inspire just confidence in the medium of exchange, put a check on improvident speculation, and ensure the just reward of industry, and the legitimate profit of commercial enterprise conducted with integrity and controlled by provident calculation."

The answer to this prediction was the gigantic extension of railway enterprise, and the monetary disaster of 1847, which caused a sacrifice of national property exceeding £250,000,000.

Committees of inquiry were appointed by both Houses of Parliament, to ascertain how far the catastrophe of 1847 was attributable to the monetary system, and the following extracts from the evidence are instructive.

Mr. Samuel Gurney, the most extensive bill broker in Europe, said:

"I have no hesitation in stating that, in my opinion, the Treasury Letter of the 25th of October, 1847, virtually annulled the bill of 1844, and saved the country from an almost universal stoppage of payments, in which the banking department of the

Bank of England would have been included. In my judgment the Act has failed in securing safety, and has a tendency to create, confirm, and increase panic."

Mr. George Carr Glynn:

"I am free to admit that after the passing of the Act (1844) I was inclined to think that it was a very fair experiment, and it was not until I saw the operation of it last year that I altered my views." He then observed that the act "had decidedly failed;" and when he is questioned respecting the loss of property and the diminution of capital to the London commercial body in 1847, he describes them as "very considerable indeed; beyond anything in my experience, certainly."

Mr. Lister stated, "there was a panic throughout the country; people thought they were in an iron cage; that iron cage was the Act of 1844."

Did space permit, it would be easy to extend this condemnatory evidence, corroborated as it was by the concurrent testimony of Mr. Horsley Palmer, Mr. Bevan, Mr. Bates, Mr. Pease, and Mr. Birkbeck, this last gentleman representing the whole body of country bankers. We could not, however, do justice to this statement of facts, did we omit to quote the high authority of Mr. Tooke, who, in his HISTORY OF PRICES from 1839 to 1847, denounces the Act of 1844 "as one of the most wanton, ill-advised, pedantic, and rash pieces of legislation that has come within his observation;" and adds, "that the vaunted principles of the measures are entirely destitute of any foundation in fact or reasoning."

Seventeen witnesses were examined before the Committee of the House of Commons, of whom thirteen condemned the Bill of 1844, and only four, all interested parties, attempted to justify its enactment. These four included three Bank Directors and Mr. Jones Loyd, who has the credit of being the preceptor of Sir Robert Peel; yet even these were compelled to admit the necessity of relaxation when the Act came into operation.

The Governor and Deputy Governor admitted that their establishment must have stopped payment, had their creditors demanded gold for their deposits; nevertheless, Mr. Morris, the Governor, had the hardihood to make the following declaration:—

"I think the Act has worked so well that it is not worth the while of Parliament to discuss whether distress has been caused by the Act or not."

It cannot be said to have worked well for the mercantile community, whose losses in 1847 have been computed at £250,000,000; it certainly worked well for the holders of Bank Stock, who realized a dividend of nine per cent. out of commercial distress, and it is only in this sense that we can interpret the eulogy of Mr. Morris.

His colleague, Mr. Cotton, treated the periodical prostration of industry as a matter of supreme indifference, provided the Bank of England stood its ground. He gave the following opinion in his evidence:—

"You have stated that a foreign demand for gold and a domestic demand for gold are different and distinguishable things in their

banking consequences. The Act of 1844 deals with those two different cases precisely in the same manner. Do you think that this is right?—Yes, I do.

"On what ground?—When I say that I think it is right, I think that you could not make provision in the Act for an *exception like that of a panic*, which may arise once in five or six years, or not even that."

There is but small consolation in the contingency implied in "not even that." The *exception* is here treated as a casualty, and a panic is deemed a mere trifle; yet the occurrence of the casualty may be predicted as accurately as the return of a comet, or the happening of an eclipse; the trifle is the menace of a national bankruptcy; and considering that the Bank of England was only rescued from ruin in 1825, by the unexpected discovery of a box of one pound notes,—in 1839 by a loan from the Bank of France, and in 1847 by the suspension of an act of Parliament, we cannot but feel astonished at the cool indifference displayed by Mr. Cotton.

When Mr. Jones Loyd was asked his opinion as to the advisability of relaxing the restrictive clauses of the Act of 1844, he gave the following answer:—

"I think that a relaxation ought only to take place in the last extremity, and when the *inconvenience* arising from the pressure has produced all its legitimate effects in rectifying the exchanges, and the danger of general confusion has become imminent."

There is a softened mildness in the word "inconvenience," hardly compatible with a mercantile loss of £250,000,000. Mr. Loyd thinks the pressure ought to be continued to the last extremity, but there is a vagueness in this expression greatly to be lamented. However, it seems only to admit of this interpretation. That all mercantile houses are to be ruined, save and except the trading corporation called the Bank of England; but when the danger of general confusion has become so imminent as to involve that establishment, and to sweep away all the gains derived from the sacrifice of merchants, manufacturers, and traders, then, but not till then, a TREASURY ORDER is to suspend an ACT OF PARLIAMENT!

Whatever weight may be attached to the evidence of the three Bank Directors and of Mr. Jones Loyd, it must be admitted that they were interested parties—as interested as landowners in favour of Corn Laws, and as Shipowners in favour of Navigation Laws; nor must it be forgotten, that they all admitted that, unless the Executive Government had interfered and suspended the action of the MONEY LAWS, universal bankruptcy must have ensued.

The Committee of the House of Lords condemned the Bill of 1844. By a majority of two votes it was approved by the Committee of the House of Commons; but in that majority were Sir Robert Peel, the author of the Bill, who pronounced a verdict of acquittal on his own inculpated measures; and Sir Charles Wood an accomplice, who had already declared the Bill a "perfect measure." It is also to be observed that Lord John Russell, who had not attended a single meeting of the Committee, voted in its favour without having heard one word of the evidence. Such a

majority is worthless in the eyes of justice, and, worthless as it is, it would not have been secured but for the unavoidable absence of Mr. Baring and Mr. Herries, who had expressed their decided disapproval of the Act of 1844.

From this review of past legislation, the NATIONAL CURRENCY REFORM ASSOCIATION have concluded that our monetary system is open to revision and improvement. They desire to impress on the public mind, that as rates and taxes are paid in money, while the profits of trade and the wages of labour are computed in money, it is of primary importance that the true nature of money should be understood. A bit of bullion, in its natural state, is no more than a commodity, in precisely the same sense as coal and iron are commodities; the bullion only becomes money by the conventional act of the SOCIETY, who mark it with a stamp and impress upon it a monied denomination. The problem, therefore, offered for solution is whether legislation has acted wisely or unwisely in selecting the scarcest of all metals as legal tender—a metal which has never increased proportionately with population or industrial productions; and, consequently, has always been inadequate to form an efficient instrument of distribution or a just representation of value.

In support of these views reference is made to the *Times* newspaper of the 22nd of September, 1849. The following important admission was made by this chief organ of the bullionists.

"The greatest source of spontaneous fluctuations in this country, and the most disturbing power, is the value of the precious metals. It is alway changing. Thirty years since a sovereign represented only half as much of the necessaries, comforts, and luxuries of life, as it now does; and its value has since been continually on the increase."

Nothing can be more true than this statement, and if we draw from it the legitimate inferences, nothing can be more instructive. With us gold is money, and a rise in the value of money expresses a corresponding fall in the whole produce of labour. This explains the decline of profits and wages which all the industrious classes lament and are seeking to remedy. But it tells a still more fearful tale, for it shows that, measured in our monied denomination, the national debt has been doubled by a rise in the value of the precious metals. The interest of the debt has also been doubled, and the whole of our imperial and stipendiary taxation.

Of this crushing pressure on industry, Parliament and the people were solemnly warned by one of the most prominent of living statesmen nearly a quarter of a century ago, but they were deaf to the warning voice. We allude to Sir James Graham, who thus expressed himself in his pamphlet on Corn and Currency.

"By the finance accounts of 1825, the sum raised within the year, ending 5th of January, was £52,803,300. The nominal amount in taxes, in 1813, was £81,745,000. The average price of gold in that year was £5 6s. 2d. per ounce, being 3$\frac{1}{6}$ per cent. more than the Mint price. This being the admitted measure of depreciation at that time, £81,745,000 in the paper currency of 1813 is only equal to £52,236,000 in the metallic

currency of 1825. Thus the taxation of 1824 was in real value somewhat heavier than the taxation of 1813."

If we discriminate between that monied denomination which is expressed by the word "pounds," and the actual ounces of gold which those pounds represent, we shall more readily perceive the enormous increase in the annual interest of the national debt since the war. The interest at the close of the war, as now, may be taken in round numbers at £30,000,000; but a pound during the later years of the war meant 13s. 4d., or 3¼ dwts. of gold nearly. Since the war, a pound has meant and still means 20s. in silver, or five dwts. of gold. Estimated, then, in the precious metals the war interest of the debt was 5,000,000 ounces of gold; but the peace interest is 7,500,000 ounces of gold. This prodigious addition to our burdens has been overlooked by every class of financial reformers, except the monetary reformers.

Considering then the rise in the value of the precious metals, and the consequent and necessary fall in the value of labour and produce, we have a clear and definite interpretation of the household phrase, "the rich are becoming richer, and the poor are becoming poorer."

Impressed with the magnitude of the social and commercial evils by which we are surrounded, the National Currency Reform Association earnestly call upon every section of the community to assist them in the great work of industrial regeneration. Agriculturists and manufacturers, merchants and traders, mechanics and artizans, are invited to co-operate in a movement which contemplates the advancement of no exclusive interests, but the universal welfare of humanity. Hitherto the blessings of civilization have been a monopoly; art and science have increased the conquests of labour over the external world, but no proportionate advantages have been conferred on the labourer. This injustice is remediable, and it is the religious duty of society to remove the wrongs of society. The National Currency Reform Association feel convinced that they can propose a plan easy of adoption, and of most eminent utility; and having submitted it to public scrutiny, they entertain the most sanguine hopes of receiving the support of every philanthropist, of every politician, of every patriot. They have confidence in the future, if supported by the friends of truth and justice, agreeing with the celebrated Junius, that "there is no extremity of distress which ought of itself to reduce a great nation to despair. It is not the disorder, but the physician; it is not a casual concurrence of calamitous circumstances; it is the pernicious hand of government, which can alone make a whole people desperate."

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